



**Hyperinflationary Economies for the
period ended 31 December 2020**

INTERNATIONAL FINANCIAL REPORTING BULLETIN

2021/02

BACKGROUND

IAS 29, *Financial reporting in hyperinflationary economies* applies when an entity's functional currency is 'hyperinflationary'.

IAS 29 requires the financial statements (including any comparative periods) to be stated in terms of the measuring unit current at the end of the applicable reporting period. This is because the currency of a hyperinflationary economies loses a significant amount of purchasing power from period to period such that presenting financial information based on historical amounts, even if only a few months old, does not provide relevant information to users of financial statement.

The term 'hyperinflation' is not defined in IAS 29, as it is a matter of judgment. IAS 29 provides the following characteristics of a hyperinflationary economy (IAS 29.3):

- (a) *the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;*
- (b) *the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;*
- (c) *sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;*
- (d) *interest rates, wages and prices are linked to a price index; and*
- (e) *the cumulative inflation rate over three years is approaching, or exceeds, 100%.*

International Monetary Fund (IMF) publishes historical and projected inflation data by country.

Based on the IMF's forecasts for 2020, published in October 2020 (available [here](#)), certain countries are identified as hyperinflationary or at a risk of being hyperinflationary in future.

Hyperinflationary economies for the year-ended 31 December 2020

The following countries are hyperinflationary economies in 2020, considering that the 3-year cumulative inflation rate significantly exceeds 100% (IAS 29.3(e)), along with qualitative factors such as the local population maintaining wealth in the currency of other countries and indexed interest rates being utilised in many countries.

Changes in a country's classification from 2019 are denoted by **red text**.

ACCOUNTING IMPACT

The financial statements of an entity, with a functional currency being the currency of a hyperinflationary country, need to be restated in accordance with IAS 29.

Certain countries are identified as hyperinflationary countries for the year 2020 based on the inflation forecasts published by International Monetary Fund (IMF).

Country	3-year cumulative inflation **	Notes
Argentina	No data available	Argentina has been hyperinflationary since reporting periods ended after 30 June 2018 as its 3-year cumulative inflation rate has significantly exceeded 100% since then. Although the IMF does not have sufficient data to publish data for 2020 onward, cumulative inflation for 2018 and 2019 was 87.8%, therefore, Argentina remains a hyperinflationary economy.

Country	3-year cumulative inflation **	Notes
<u>Iran</u>	<u>102.7%</u>	Inflation rates in Iran began to increase significantly in 2018, moving from 9.6% in 2017 to 31.2% in 2018. Based on IMF projections for 2020, Iran's three-year cumulative inflation will exceed 100% for the year ended 31 December 2020.
<u>Lebanon</u>	<u>93.0%</u>	While the three-year cumulative inflation is forecast to be 93.0% for the year ended 31 December 2020, inflation rates have increased sharply (from 2.9% in 2019 to a forecast of 85.5% for 2020). Additionally, qualitative indicators such as the deterioration in economic conditions and currency controls indicate that Lebanon meets the definition of a hyperinflationary economy for reporting periods ending on or after 31 December 2020.
South Sudan	161.8%	South Sudan remains hyperinflationary.
Sudan	255.9%	Sudan remains hyperinflationary.
Venezuela	91,780.1%	The three-year cumulative inflation rate has been over 100% for a number of years. Due to ongoing political instability and the devaluation of its currency, Venezuela remains hyperinflationary, as it has been since 2009.
Zimbabwe	888.7%	For a number of years, transactions in Zimbabwe were based on the use of US dollars. However, in 2019, a 'parallel' Zimbabwe currency emerged, which was pegged to the US dollar for a period. Subsequent developments mean that the Zimbabwe dollar emerged as the functional currency for many entities in Zimbabwe on 1 October 2018, and has been considered to exist for accounting purposes with effect from that date, with inflation data being tracked from that date for the purposes of determining whether Zimbabwe has become hyperinflationary. The IMF estimates that inflation in 2020 will be 622.8%.

Economies that have a risk of becoming hyperinflationary in future ('watch list')

The following countries do not have a 3-year cumulative inflation rate of 100% or more, however, given how high their rates are, the trend of the inflation rates and other qualitative factors, these economies may become hyperinflationary in future.

Country	3-year cumulative inflation **	Notes
Democratic Republic of the Congo (DRC)	75.0%*	Annual inflation rates have decreased in 2018 and 2019 (7.2% and 5.5%) compared to 2017 (54.7%), however, official data published by the DRC's central bank differs. A World Bank report indicates that there was a balance of payments surplus in 2019, which assisted in stabilising the Congolese Franc exchange rate in that year, which had the effect of containing inflationary pressure that was seen in the previous two years. The DRC should not be considered hyperinflationary for annual reporting periods ended on or after 31 December 2019.
Liberia	62.4%	IMF data indicates that annual inflation rates will decrease from 20.6% in 2019 to 19.0% in 2020 and 16.0% in 2021. These give forecast three-year cumulative inflation of 84.4% and 66.5% to December 2020 and 2021 respectively. Liberia should not be considered hyperinflationary for annual reporting periods ended on or after 31 December 2019.

Country	3-year cumulative inflation **	Notes
Yemen	64.0%	IMF estimates of inflation have varied significantly in recent years, ranging from 10% in 2019 to 30.4% in 2017. Yemen's three-year cumulative inflation rate has not yet reached 100%, however, it should be monitored.

Economies that may be hyperinflationary

The following country may be hyperinflationary in 2020, however, sufficient data does not exist to reach a definite conclusion.

Country	3-year cumulative inflation **	Notes
Syria	Unknown	Syria has previously been identified as hyperinflationary. Due to ongoing unrest and conflict, reliable information is not available in Syria. Based on data that is available and qualitative considerations, Syria may be a hyperinflationary economy.

*(**) The above inflation figures are based on IMF's forecasts for the year 2020. The final figures are expected to be published by IMF in early 2021. The above listings may require an update on the basis of final inflation figures.*

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